



Comptroller of the Currency
Administrator of National Banks

Small Bank

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

Public Disclosure

March 22, 1999

Community Reinvestment Act Performance Evaluation

**First Hope Bank, A National Banking Association
Charter Number 10118**

**P.O. Box 296
Hope, New Jersey 07844-0296**

**Office of the Comptroller of the Currency
New York Metro Field Office
Community/Midsize Banks
830 Morris Turnpike, 2nd Floor
Short Hills, New Jersey 07078**

Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency

concerning the safety and soundness of this financial institution.

General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **First Hope Bank, A National Banking Association** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 22, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Institution's CRA Rating: This institution is rated satisfactory.

The average loan-to-deposit ratio since the prior evaluation is 56%.

The majority of all loans originated are within the bank's assessment area.

The distribution of lending among borrowers reflects a reasonable penetration of loans to small businesses and to individuals of different income levels.

The following table indicates the performance level of **First Hope Bank, National Association** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	First Hope Bank, A National Banking Association Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-deposit ratio		X	
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans	Analysis not meaningful		
Response to complaints	No complaints received since the prior examination		

DESCRIPTION OF INSTITUTION

First Hope Bank, National Association (FHB) is a \$151 million locally owned bank in a primarily rural area of Warren County in northwestern New Jersey. At December 31, 1998, the bank had \$78 million in loans, \$57 million in investments, and \$136 million in deposits. Table 1 portrays the principal loan mix of the bank.

Table 1
Types of Loans Outstanding
December 31, 1998, (\$ millions)

Type	Amount	%
Residential Real Estate	23	47
Commercial Real Estate	37	30
Commercial	4	5

Consumer	5	6
Municipal	9	12
Total	78	100

FHB has its main office in Hope, New Jersey and branches in Blairstown, Great Meadows and Hackettstown, New Jersey. Additionally, the bank has a deposit taking Automated Teller Machine (ATM) in Washington Township (Morris County). All branches provide a full range of banking services, 24-hour ATM service, and extended hours. Within the assessment area, competition is modest. Credit needs within the assessment area determined by a community contact include residential mortgages.

FHB is not subject to any legal or regulatory restrictions or any other impediments which would preclude the bank from helping to meet the credit needs of its assessment area.

DESCRIPTION OF THE ASSESSMENT AREA (AA)

The bank's assessment area is comprised of portions of Warren and Morris Counties including 15 census tracts in the Newark Metropolitan Statistical Area (MSA) 5640. The assessment area consists of 12 (80%) middle-income census tracts and 3 (20%) upper income census tracts. The assessment area complies with the requirements of the regulation and does not arbitrarily exclude low or moderate income areas.

The 1990 census median family income, which is used to categorize the income level of the census tracts in the MSA, is \$50,047. The 1998 updated median family income, which is used to categorize the income level of individual borrowers residing in the MSA, is \$64,700. The updated median family income is based on information from the Department of Housing and Urban Development. Within the assessment area, 13% of the families are low income, 18% are moderate income, 28% are middle income, and 41% are upper income.

The population of the assessment area is 73,000 persons. The median housing value in the AA is \$175,491 and the median age of housing stock is 33 years. Total occupied housing units is 93%, with owner-occupied housing at 68% and rental occupied housing at 25%. Vacant housing units in the AA is 7%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

FHB's average loan-to-deposit ratio for the period since the prior evaluation is reasonable. Since the prior CRA evaluation, the average loan-to-deposit ratio is 56%. The average loan-to-deposit ratio for

the bank's national peer group is 70%. The averages for similarly situated banks within and surrounding FHB's assessment area ranged between 34% and 66%. The bank's ratio does not include fixed rate residential mortgage loans, which are sold in the secondary market. Additionally, the bank opened a branch in October 1998 which has generated a high volume of deposits in comparison to a lower volume of loans.

Lending in the Assessment Area

Using management prepared internal reports, examiners determined that a majority of all loan originations are within the bank's assessment area. From January 1, 1997 to December 31, 1998, the bank originated 132 Home Mortgage Disclosure Act (HMDA) reportable loans totaling \$9.8 million and 109 small business loans totaling \$12.2 million. Of these totals, 66% of the number and 43% of the dollar amount were located within the assessment area.

Table 2 reflects the ratios for each category:

Table 2
Loan Originations-January 1, 1997- December 31, 1998 (\$ '000s)

	TOTAL # / \$ Originated	# / \$ Originated in AA	% # / % \$ Originated in AA
HMDA Loans	132 / \$ 9,794	98 / \$5,009	74 / 51
Small Business	109 / \$12,242	61 / \$4,558	56 / 37
Total	241 / \$22,036	159 / \$9,567	66 / 43

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans reflects reasonable penetration among borrowers of different income levels and business of different sizes. Table 3 reflects the distribution based on HMDA reportable information:

Table 3
Lending Distribution by Family Income Characteristics
HMDA Reportable Lending -January 1, 1997-December 31, 1998 (\$ '000s)

Income Level	% of Families	# of Loans Originated / %	\$ of Loans Originated / %
Low	13	9 / 9	316 / 6
Moderate	18	19 / 19	989 / 20
Middle	28	34 / 35	1,307 / 26

Upper	41	35 / 36	1,673 / 33
Income not Obtained	--	1 / 1	724 / 15
Total	100	98 / 100	5,009 / 100

FHB also lends to businesses of various sizes. Based on the small business loan originations, 77% were to small businesses (businesses with revenue less than or equal to \$1 million). Additionally, 77% of the small business loans originated were for \$100 thousand or less, 20% were between \$100 thousand and \$250 thousand, and 3% were greater than \$250 thousand.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful as there are no low or moderate income geographies in the assessment area.

FAIR LENDING

During the concurrent fair lending examination, no violations of fair lending laws and regulations were identified.